

**Department of Education**  
**STUDENT FINANCIAL ASSISTANCE**  
**Fiscal Year 2017 Budget Request**

**CONTENTS**

	<u><b>Page</b></u>
Appropriations Language .....	O-1
Analysis of Language Provisions and Changes.....	O-4
Appropriation, Adjustments and Transfers .....	O-7
Summary of Changes .....	O-8
Authorizing Legislation .....	O-9
Appropriations History.....	O-10
Summary of Request .....	O-11
Federal Pell grants .....	O-15
Federal supplemental educational opportunity grants.....	O-30
Federal work-study .....	O-35
Federal Perkins loans.....	O-42
Iraq and Afghanistan service grants.....	O-49

## STUDENT FINANCIAL ASSISTANCE

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For carrying out subparts 1[, 3, and 10] and 3 of part A, and part C of title IV of the HEA, \$24,198,210,000, which shall remain available through September 30, [2017] 2018:<sup>1</sup> Provided, That, of amounts provided under this heading, \$6,553,408,000 shall be available for Pell Grants for award year 2018-2019.<sup>2</sup>

The maximum Pell Grant for which a student shall be eligible during award year [2016-2017] 2017-2018<sup>3</sup> shall be \$4,860. (*Department of Education Appropriations Act, 2016*).

### TITLE III GENERAL PROVISIONS

SEC. 311. Section 487(a)(24) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)(24)) is amended —

(1) by striking "ten percent" and inserting "fifteen percent";<sup>4</sup>

(2) by striking "In the" and inserting "(A) In the";

(3) by striking "funds provided under this title, as calculated in accordance with subsection (d)(1)" and inserting "Federal funds, as calculated in accordance with subparagraph (B) of this paragraph and subsection (d)(1)";<sup>5</sup> and

(4) by adding at the end the following —

"(B) FEDERAL FUNDS.—In this paragraph, the term 'Federal funds' means any Federal financial assistance provided, under this Act or any other Federal law, through a grant, contract, subsidy, loan, guarantee, insurance, or other means to a proprietary institution, including Federal financial assistance that is disbursed or delivered to an institution or on behalf of a student or to a student to be used to attend the institution, except that such term shall not include any monthly housing stipend provided under chapter 33 of title 38, United States Code."<sup>6</sup>

SEC. 312. Reappropriation of Mandatory Savings.—Section 401(b)(7)(A)(iv) of

## STUDENT FINANCIAL ASSISTANCE

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the HEA (20 U.S.C. 1070a(b)(7)(A)(iv)) is amended to read as follows—

"(iv) to carry out this section—

"(I) \$13,500,000,000 for fiscal year 2011;

"(II) \$13,795,000,000 for fiscal year 2012;

"(III) \$7,587,000,000 for fiscal year 2013;

"(IV) \$588,000,000 for fiscal year 2014;

"(V) \$0 for fiscal year 2015;

"(VI) \$0 for fiscal year 2016;

"(VII) \$1,574,000,000 for fiscal year 2017;

"(VIII) \$1,397,000,000 for fiscal year 2018;

"(IX) \$1,424,000,000 for fiscal year 2019;

"(X) \$1,445,800,000 for fiscal year 2020; and

"(XI) \$1,161,100,000 for fiscal year 2021 and each succeeding fiscal year."<sup>7</sup>

SEC. 314. Section 481 of the HEA (20 U.S.C. 1088) is amended by adding after subsection (f) the following new subsection—

"(g) DEFINITION OF ELIGIBLE VETERAN'S DEPENDENT.—For the purpose of any program under this title, the term 'eligible veteran's dependent' means a dependent or an independent student —

(1) whose parent or guardian was a member of the Armed Forces of the United States and died as a result of performing military service in Iraq or Afghanistan after September 11, 2001;

and

(2) who, at the time of the parent or guardian's death, was —

(A) less than 24 years of age; or

(B) enrolled at an institution of higher education on a part-time or full-time basis."<sup>8</sup>

## STUDENT FINANCIAL ASSISTANCE

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SEC. 315. Subsection 401(b) of the HEA (20 U.S.C. 1070a) is amended by inserting after paragraph (7), the following new paragraph:

"(8) Eligible Veteran's Dependent. Notwithstanding paragraphs (2)(a)(iii) and (3), the Secretary shall award the maximum Federal Pell grant for that year to each eligible veteran's dependent to assist in paying the eligible veteran's dependent's cost of attendance at an institution of higher education."<sup>9</sup> (Department of Education Appropriations Act, 2016).

### NOTE

Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document which follows the appropriation language.

## STUDENT FINANCIAL ASSISTANCE

### Analysis of Language Provisions and Changes

Language Provision	Explanation
<p><sup>1</sup>For carrying out subparts 1[, 3, and 10] <u>and 3</u> of part A, and part C of title IV of the HEA, \$24,198,210,000, which shall remain available through September 30, [2017] <u>2018</u>:</p>	<p>This language sets the availability of funds provided under the account through the end of fiscal year 2018. It also removes Subpart 10, which refers to the Iraq and Afghanistan Service Grant program, which the 2017 President's Budget proposes to move into the Pell Grant program.</p>
<p><sup>2</sup><u>Provided, That, of amounts provided under this heading, \$6,553,408,000 shall be available for Pell Grants for award year 2018-2019.</u></p>	<p>This language recognizes that the funds specified, appropriated in 2017, are available for award year 2018-2019.</p>
<p><sup>3</sup>The maximum Pell Grant for which a student shall be eligible during award year [2016-2017] <u>2017-2018</u> shall be \$4,860.</p>	<p>This language sets the maximum Pell Grant award for award year 2017-2018.</p>
<p style="text-align: center;"><b>Title III GENERAL PROVISIONS</b></p> <p><sup>4</sup><u>SEC. 311. Section 487(a)(24) of the Higher Education Act of 1965 (20 U.S.C. 1094(a)(24)) is amended — (1) by striking "ten percent" and inserting "fifteen percent";...</u></p>	<p>This language changes the amount of revenue derived from non-Title IV sources from 10 percent to 15 percent that a proprietary institution of higher education must calculate in order to participate in Title IV programs as part of the so-called 90/10 rule, effectively changing the proportion to 85/15.</p>
<p><sup>5</sup><u>(3) by striking "funds provided under this title, as calculated in accordance with subsection (d)(1)" and inserting "Federal funds, as calculated in accordance with subparagraph (B) of this paragraph and subsection (d)(1)"</u></p>	<p>This language changes the definition of Title IV funds that are not included in the 15 percent to a broader category of Federal funds.</p>

## STUDENT FINANCIAL ASSISTANCE

Language Provision	Explanation
<p><u><sup>6</sup>(4) by adding at the end the following —</u></p> <p><u>"(B) FEDERAL FUNDS.—In this paragraph, the term 'Federal funds' means any Federal financial assistance provided, under this Act or any other Federal law, through a grant, contract, subsidy, loan, guarantee, insurance, or other means to a proprietary institution, including Federal financial assistance that is disbursed or delivered to an institution or on behalf of a student or to a student to be used to attend the institution, except that such term shall not include any monthly housing stipend provided under chapter 33 of title 38, United States Code."</u></p>	<p>This language defines the term “Federal Funds.” All Federal funds included in the HEA or provided through any other Federal law would now be considered Federal funds in the 85/15 calculation, with the exception of a monthly housing stipend provided to veterans for post-9/11 educational assistance programs.</p>
<p><u><sup>7</sup>SEC. 312. Reappropriation of Mandatory Savings.—Section 401(b)(7)(A)(iv) of the HEA (20 U.S.C. 1070a(b)(7)(A)(iv)) is amended to read as follows—</u></p> <p><u>"(iv) to carry out this section—</u></p> <p><u>"(I) \$13,500,000,000 for fiscal year 2011;</u></p> <p><u>"(II) \$13,795,000,000 for fiscal year 2012;</u></p> <p><u>"(III) \$7,587,000,000 for fiscal year 2013;</u></p> <p><u>"(IV) \$588,000,000 for fiscal year 2014;</u></p> <p><u>"(V) \$0 for fiscal year 2015;</u></p> <p><u>"(VI) \$0 for fiscal year 2016;</u></p> <p><u>"(VII) \$1,574,000,000 for fiscal year 2017;</u></p> <p><u>"(VIII) \$1,397,000,000 for fiscal year 2018;</u></p> <p><u>"(IX) \$1,424,000,000 for fiscal year 2019;</u></p> <p><u>"(X) \$1,445,800,000 for fiscal year 2020; and</u></p> <p><u>"(XI) \$1,161,100,000 for fiscal year 2021 and each succeeding fiscal year."</u></p>	<p>This language provides for the reappropriation of mandatory funding levels in the Pell Grant program beginning in fiscal year 2018 through 2021 and succeeding years. These changes are required to reflect the 2017 President’s Budget proposal to use mandatory funding previously provided in the HEA for the Pell Grant program to fund policy proposals included in the fiscal year 2017 President’s Budget for which legislative language is not included.</p>

## STUDENT FINANCIAL ASSISTANCE

Language Provision	Explanation
<p><u><sup>8</sup>SEC. 314. Section 481 of the HEA (20 U.S.C. 1088) is amended by adding after subsection (f) the following new subsection—</u></p> <p><u>"(g) DEFINITION OF ELIGIBLE VETERAN'S DEPENDENT.—For the purpose of any program under this title, the term 'eligible veteran's dependent' means a dependent or an independent student—</u></p> <p><u>(1) whose parent or guardian was a member of the Armed Forces of the United States and died as a result of performing military service in Iraq or Afghanistan after September 11, 2001; and</u></p> <p><u>(2) who, at the time of the parent or guardian's death, was —</u></p> <p><u>(A) less than 24 years of age; or</u></p> <p><u>(B) enrolled at an institution of higher education on a part-time or full-time basis."</u></p>	<p>This language adds a new definition of an eligible veteran's dependent to section 481 of the HEA resulting from the fiscal year 2017 President's Budget proposal to eliminate Subpart 10, which refers to the Iraq and Afghanistan Service Grant program and includes the definition of an eligible veteran's dependent.</p>
<p><u><sup>9</sup>SEC 315. Subsection 401(b) of the HEA (20 U.S.C. 1070a) is amended by inserting after paragraph (7), the following new paragraph:</u></p> <p><u>(8) Eligible Veteran's Dependent. Notwithstanding paragraphs (2)(a)(iii) and (3), the Secretary shall award the maximum Federal Pell grant for that year to each eligible veteran's dependent to assist in paying the eligible veteran's dependent's cost of attendance at an institution of higher education."</u></p>	<p>This language moves the current eligibility requirements for the Iraq and Afghanistan Service Grant program (IASG) to the Pell Grant program in section 401(b) as part of the 2017 President's Budget proposal to move IASG and into the Pell Grant program.</p>

**STUDENT FINANCIAL ASSISTANCE**

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**Appropriation, Adjustments and Transfers**  
(dollars in thousands)

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Appropriation/Adjustments/Transfers	2015	2016	2017
<b>Discretionary:</b>			
Appropriation .....	\$24,198,210	\$24,198,210	\$24,198,210
<b>Mandatory:</b>			
Appropriation .....	<u>5,153,302</u>	<u>5,804,894</u>	<u>7,629,000</u>
Total, discretionary and mandatory appropriation .....	29,351,512	30,003,104	31,827,210

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**STUDENT FINANCIAL ASSISTANCE**

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**Summary of Changes**  
(dollars in thousands)

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2016.....	\$30,003,104
2017.....	<u>31,827,210</u>
Net change .....	+1,824,106

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	<u>2016 base</u>	<u>Change from base</u>
<b>Increases:</b>		
<u>Program:</u>		
Increase in mandatory funding provided to support the Pell Grant program including the Iraq and Afghanistan Service Grant program.	\$5,804,441	+\$1,824,559
Subtotal, increases		+1,824,559
<b>Decreases:</b>		
<u>Program:</u>		
Decrease in mandatory funding to reflect the move of Iraq and Afghanistan Service Grants to Pell Grants.	453	-453
Subtotal, decreases		-453
Net change		+1,824,106

## STUDENT FINANCIAL ASSISTANCE

### Authorizing Legislation (dollars in thousands)

Activity	2016 Authorized	2016 Estimate	2017 Authorized	2017 Request
Federal Pell grants (HEA-IV-A-1):				
Federal Pell grants (discretionary) .....	Indefinite	\$22,475,352	Indefinite	\$22,475,352
Federal Pell grants (mandatory).....	Indefinite	5,804,441	Indefinite	7,629,000
Federal supplemental educational opportunity grants (HEA-IV-A-3).....	0 <sup>1</sup>	733,130	To be determined <sup>1</sup>	733,100
Federal Work-Study (HEA-IV-C) .....	0 <sup>1</sup>	989,728	To be determined <sup>1</sup>	989,728
Iraq and Afghanistan Service Grants (HEA-IV-A-10) <sup>2</sup> .....	Indefinite	453	Indefinite	0
Federal Perkins loans (HEA-IV-E).....	Indefinite	0	Indefinite	0
<u>Unfunded authorizations</u>				
Academic achievement incentive scholarships (HEA-IV-A, Chapter 3) .....	<u>Indefinite</u>	<u>0</u>	<u>Indefinite</u>	<u>0</u>
Total discretionary appropriation .....		24,198,210		24,198,210
Portion of the discretionary request subject to reauthorization.....		1,722,858		1,722,858
Total mandatory appropriation .....		5,804,894		7,629,000
Total appropriation .....		30,003,104		31,827,210

<sup>1</sup>The GEPA extension expired September 30, 2015; the program was authorized in 2016 through appropriations language. Reauthorizing legislation is sought for fiscal year 2017.

<sup>2</sup>Legislation is sought in fiscal year 2017 to make the Iraq and Afghanistan Service Grants program a non-sequesterable program by moving it into the Pell Grant program.

## STUDENT FINANCIAL ASSISTANCE

### Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2008	\$16,419,492	\$17,464,883	\$18,409,883	\$16,111,136
2008 Mandatory	0	0	0	2,011,000 <sup>1</sup>
2009	19,921,551	19,201,136 <sup>2</sup>	18,761,809 <sup>2</sup>	19,156,973
2009 Mandatory	0	2,090,000 <sup>1</sup>	2,090,000 <sup>1</sup>	2,090,000 <sup>1</sup>
Recovery Act Supplemental (P.L. 111-5)	0	17,600,000	13,930,000	17,314,000
2010	1,801,809 <sup>3</sup>	19,634,905	19,296,809 <sup>4</sup>	19,296,809
2011	1,737,957 <sup>3</sup>	18,475,492 <sup>5</sup>	24,899,957 <sup>4</sup>	24,670,517
2012	30,338,016	22,367,521 <sup>6</sup>	24,670,517 <sup>6</sup>	24,535,281
2013	24,685,281	24,535,281 <sup>7</sup>	24,535,281 <sup>7</sup>	24,400,122
2014	24,685,281	N/A <sup>8</sup>	24,536,210 <sup>4</sup>	24,486,210
2015	24,486,210	N/A <sup>8</sup>	24,233,210 <sup>9</sup>	24,198,210
2016	24,198,210	23,828,210 <sup>10</sup>	24,129,352 <sup>10</sup>	24,198,210
2017	24,198,210			

<sup>1</sup>Mandatory funding is provided for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

<sup>2</sup>The levels for the House and Senate allowance reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110<sup>th</sup> Congress only through the House Subcommittee and the Senate Committee.

<sup>3</sup>Reflects Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts.

<sup>4</sup>The level for the Senate allowance reflects Committee action only.

<sup>5</sup>The level for the House allowance reflects the House-passed full-year continuing resolution.

<sup>6</sup>The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

<sup>7</sup>The level for the House and Senate allowances reflect action on the regular annual 2013 appropriations bill, which proceeded in the 112<sup>th</sup> Congress only through the House Subcommittee and the Senate Committee.

<sup>8</sup>The House allowance is shown as N/A because there was no Subcommittee action.

<sup>9</sup>The level for the Senate allowance reflects Senate Subcommittee action only.

<sup>10</sup>The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations bill, which proceeded in the 114<sup>th</sup> Congress only through the House Committee and Senate Committee.

# STUDENT FINANCIAL ASSISTANCE

DEPARTMENT OF EDUCATION FISCAL YEAR 2017 PRESIDENT'S BUDGET  
(in thousands of dollars)

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Account, Program and Activity	Category Code	2015 Appropriation	2016 Appropriation	2017 President's Budget	2017 President's Budget Compared to 2016 Appropriation Amount	Percent
<b>Student Financial Assistance</b>						
1. Federal Pell grants (HEA IV-A-1):						
(a) Discretionary Pell grants	D	22,475,352	22,475,352	22,475,352	0	0.00%
(b) Mandatory Pell grants <sup>1</sup>	M	5,152,933	5,804,441	6,306,000	501,559	8.64%
(c) Mandatory Funding for Discretionary Program Costs	M	0	0	1,323,000	1,323,000	---
Subtotal, Federal Pell grants		27,628,285	28,279,793	30,104,352	1,824,559	6.45%
Discretionary	D	22,475,352	22,475,352	22,475,352	0	0.00%
Mandatory	M	5,152,933	5,804,441	7,629,000	1,824,559	31.43%

<b>Federal Pell Grants Program Information (memorandum entry):</b>						
Discretionary appropriation	D	22,475,352	22,475,352	22,475,352	0	0.00%
Prior year surplus/(shortfall)	D	9,010,352	7,952,704	7,463,056	(489,648)	-6.16%
Mandatory appropriation	M	5,152,933	5,804,441	6,306,000	501,559	8.64%
Prior year surplus/(shortfall)	M	(567,374)	(448,441)	0	448,441	-100.00%
Mandatory funding for discretionary program costs	M	0	0	1,323,000	1,323,000	---
Total resources		36,071,263	35,784,056	37,567,408	1,783,352	4.98%
Discretionary program costs	D	23,533,000	22,965,000	24,708,000	1,743,000	7.59%
Mandatory program costs	M	5,034,000	5,356,000	6,306,000	950,000	17.74%
Total, program costs		28,567,000	28,321,000	31,014,000	2,693,000	9.51%
Discretionary program current year surplus/(shortfall)	D	7,952,704	7,463,056	6,553,408	(909,648)	-12.19%
Mandatory program current year surplus/(shortfall)	M	(448,441)	0	0	0	---
Total, surplus/(shortfall)		7,504,263	7,463,056	6,553,408	(909,648)	-12.19%
Maximum award (in whole dollars)						
Base award		\$4,860	\$4,860	\$4,860	0	0.00%
Mandatory add-on		\$915	\$955	\$1,075	120	12.57%
Total maximum award		\$5,775	\$5,815	\$5,935	120	2.06%
Recipients (in thousands)		7,670	7,679	7,719	40	0.52%

NOTES: D = discretionary program; M = mandatory program; FY = fiscal year

For most mandatory programs, the levels shown in the 2015 Appropriation column reflect the 7.3 percent sequester that went into effect October 1, 2014, and the levels shown in the 2016 Appropriation column reflect the 6.8 percent reduction that went into effect on October 1, 2015, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

Detail may not add to totals due to rounding.

<sup>1</sup> The 2017 President's Budget column reflects the budget proposal to end the current Iraq and Afghanistan Service Grant program and consolidate it into the Pell Grant program.

## STUDENT FINANCIAL ASSISTANCE

DEPARTMENT OF EDUCATION FISCAL YEAR 2017 PRESIDENT'S BUDGET  
(in thousands of dollars)

Account, Program and Activity	Category Code	2015 Appropriation	2016 Appropriation	2017 President's Budget	2017 President's Budget Compared to 2016 Appropriation Amount	Percent
<b>Student Financial Assistance (continued)</b>						
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	733,130	733,130	733,130	0	0.00%
(b) Federal work-study (HEA IV-C)	D	989,728	989,728	989,728	0	0.00%
Subtotal, Campus-based programs		1,722,858	1,722,858	1,722,858	0	0.00%
3. Iraq and Afghanistan service grants (P.L. 111-39) <sup>1</sup>	M	369	453	0	(453)	-100.00%
Total <sup>2</sup>		29,351,512	30,003,104	31,827,210	1,824,106	6.08%
Discretionary	D	24,198,210	24,198,210	24,198,210	0	0.00%
Mandatory	M	5,153,302	5,804,894	7,629,000	1,824,106	31.42%
<b>Federal Perkins Loan Program</b>						
1. New loan subsidies (proposed legislation)	M	0	0	0	0	---
2. New net loan subsidies (non-add)	M	0	0	(640,312)	(640,312)	---
Total, Federal Perkins loan program amount		0	0	0	0	---

NOTES: D = discretionary program; M = mandatory program; FY = fiscal year

For most mandatory programs, the levels shown in the 2015 Appropriation column reflect the 7.3 percent sequester that went into effect October 1, 2014, and the levels shown in the 2016 Appropriation column reflect the 6.8 percent reduction that went into effect on October 1, 2015, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

Detail may not add to totals due to rounding.

<sup>1</sup> The 2016 Appropriation and 2017 President's Budget columns reflect the budget proposal to end the current Iraq and Afghanistan Service Grant program and consolidate it into the Pell Grant program.

<sup>2</sup> The 2015 Appropriation does not reflect a \$8,500 thousand transfer, using the Department's transfer authority, to Program Administration.

## STUDENT FINANCIAL ASSISTANCE

The United States has long been a global leader in postsecondary education, but recently this advantage has slipped. According to the Organisation for Economic Co-operation and Development (OECD) in its annual “Education at a Glance,” the U.S. ranks 6<sup>th</sup> among OECD and partner countries in terms of the proportion of 25–64 year olds with postsecondary attainment, but ranks 13<sup>th</sup> in the same category among those aged 25–34. There is a significant opportunity gap as well. While half of Americans from high-income families have a bachelor’s degree by age 25, just one in 10 people from low-income families attain that level of education. Moreover, regardless of income status, high-school graduates who enroll in college too often fail to finish: barely half will complete their degree in a reasonable time at 4-year institutions; and at 2-year schools, it’s only about a third.

Since 2009, the Obama Administration has made historic investments in student financial aid that have helped ensure college stays within the reach of American families. It has increased the maximum Pell Grant by more than \$1,000, and created and extended the American Opportunity Tax Credit, worth \$10,000 over 4 years of college. It has cut student loan interest rates, saving students up to \$1,000 this year, and allowed more borrowers to cap their loan payments at 10 percent of their income through the President’s Pay As You Earn and related income-driven repayment plans. In total, the Obama Administration has increased total aid available to students by over \$50 billion from 2008 to 2016, and selected tax benefits by over \$12 billion, which has helped our Nation ensure more students are graduating from college than ever before.

The 2017 Budget continues on the path of helping to ensure that students can attain a postsecondary credential without taking on more debt than they and their families can afford. It also supports an ongoing shift toward focusing on student outcomes in higher education, and, in particular, completion, so that both students and the Nation can thrive in the global economy. Accordingly, the fiscal year 2017 Budget includes proposals to address college access, affordability, and completion.

The total fiscal year 2017 Budget proposed for the Student Financial Assistance (SFA) account is \$31.8 billion, \$1.8 billion higher than the fiscal year 2016 level. The Budget request includes a discretionary request of \$24.2 billion: \$22.5 billion for Pell grants, with the remainder of the request for Supplemental Educational Opportunity Grants and Federal Work-Study. Over \$7.6 billion in mandatory funds is provided in the 2017 Budget for the Pell Grant program.

The 2017 Budget provides access to additional campus-based funds through an expanded Federal Perkins Loan program. This proposed expansion and reform of the current program means an estimated 714,000 additional students will be able to receive Perkins Loans, as the program will serve a greater number of institutions (up to 2,900 more than the existing program). The reformed Perkins program will also provide additional funds at eight and a half times the current volume.

Funds requested for all programs in the Student Financial Assistance account would provide \$38 billion in aid to help students pursue a postsecondary education. (Total aid available is based on new budget authority and any required matching funds, less allowable administrative costs.) Overall, these programs would provide more than 11 million student aid awards.

The fiscal year 2017 budget request for programs in the Student Financial Assistance account is best understood in the context of the Administration’s proposals for the student aid programs as

## **STUDENT FINANCIAL ASSISTANCE**

a whole. Accordingly, program-specific funding information and policy proposals, as well as program performance information that applies to all student assistance programs, are discussed in the **Student Aid Overview**.

## STUDENT FINANCIAL ASSISTANCE

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### Federal Pell grants

(Higher Education Act of 1965, Title IV, Part A, Subpart 1)

(dollars in thousands)

FY 2017 Authorization: Indefinite

Budget authority<sup>1</sup>

	<u>2016</u>	<u>2017</u>	<u>Change</u>
Program funds:			
Discretionary appropriation	\$22,475,352	\$22,475,352	0
Mandatory appropriation	5,804,441	6,306,000	+501,559
Mandatory appropriation for discretionary program costs <sup>2</sup>	<u>0</u>	<u>1,323,000</u>	<u>+1,323,000</u>
Subtotal, current year funding	28,279,793	30,104,352	+1,824,559
Pell Grant program costs	28,321,000	31,014,000	+2,693,000

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<sup>1</sup>Table reflects discretionary budget appropriations and mandatory budget authority in support of program costs for each fiscal year.

<sup>2</sup>The Higher Education Act (HEA) provides \$1,574,000 thousand in mandatory funding to be used for discretionary program costs in FY 2017. The budget proposes to use \$251,000 thousand of this funding to support increases to the mandatory add-on award associated with new Pell policies included in the budget.

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## PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and moderate-income undergraduate students by providing grants that help meet postsecondary education costs. The program also promotes lifelong learning by providing resources so that low- and moderate-income adults now in the workplace can return to school to upgrade their skills.

The Department provides funds to participating institutions to provide aid to all students at the institution who are eligible for a Pell Grant—a student’s eligibility is not dependent on the availability of funds awarded to the institution as in the Campus-Based Programs: Supplemental Education Opportunity Grants, Work-Study, and Perkins Loans.

A Pell Grant is considered to be the foundation of a student’s financial aid package, to which other forms of aid are added. The amount of a student’s Pell Grant is dependent on the student’s “expected family contribution” (EFC), cost of education, whether the student attends school full time or part time, and whether the students’ program is a full academic year in length

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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or less. Pell Grant disbursements are made to a student at least once every term during the award year or at the beginning and mid-point for programs without terms.

Budget authority in the Pell Grant program is available for 2 fiscal years; for example, funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds proposed for fiscal year 2017 would be used for grants in the 2017-2018 award year, which runs from July 1, 2017, through June 30, 2018. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department uses the next fiscal year's appropriation to cover the full cost.

Recent and projected funding: The Pell Grant program is the single largest source of grant aid for postsecondary education—the centerpiece of President Obama's strategy to ensure that students can afford higher education and successfully attain a postsecondary credential. Thanks to the landmark investments in Pell Grants since the beginning of the Administration, in 2016, more than 7.6 million students will receive Pell Grants worth up to \$5,815. The program operates as an entitlement to eligible students once the maximum grant, award rules, and payment schedule are established. The Higher Education Act does not provide for the denial of an award to any student who meets the qualifying conditions, nor does it allow the Secretary to reduce any student's award level.

Mandatory funding: The College Cost Reduction and Access Act (CCRAA) authorized mandatory funding to support increases to the Pell maximum award set in each fiscal year's appropriations act. The Health Care and Education Reconciliation Act (HCERA) amended that provision and increased the maximum award by \$690 for award years 2010-2011 through 2012-2013, and by the Consumer Price Index (CPI) from 2013 to 2017. The maximum Pell Grant is expected to increase from the 2015-2016 award year level of \$5,775 to \$5,815 for the 2016-2017 award year, as a result of the CPI provision.

Pell Grant program scoring rule: The congressional budget resolution for fiscal year 2006 included a rule under which appropriations bills for the Pell Grant program are scored by the Congressional Budget Office for the estimated budget authority needed to fund the program for that year, or the requested budget authority, whichever is greater. If the appropriation exceeds the program cost as estimated at the beginning of the subsequent fiscal year, any surplus is available to reduce the appropriation needed to support that subsequent year's program costs. Conversely, if the appropriation is lower than the updated estimated program cost, the difference is automatically scored against the subsequent year's appropriation.

Given the nature of the program, it is reasonable to consider Pell Grants an individual entitlement for purposes of budget analysis and enforcement. Congress has chosen to continue treating the portion funded in annual appropriations acts as discretionary, continuing the scoring of budget authority for Pell Grants against the appropriations allocations established annually under section 302 of the Congressional Budget Act. Like the 2016 Budget, this Budget presents the portion of Pell Grants provided in the annual appropriations act as discretionary funding.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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Need analysis formula: The need analysis formula for the Title IV need-based student aid programs, stipulated in the Higher Education Act, determines financial eligibility for Pell Grants and is applied uniformly to all applicants. This formula determines a student's EFC. The fundamental elements in the formula are the student's (and in the case of dependent students, their parents') income and assets (excluding the value of the family's home or farm), the family's household size, and the number of family members (excluding the student's parents) attending postsecondary institutions. The EFC is the sum of (1) a percentage of net income (remaining income after subtracting allowances for taxes and basic living expenses), and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students, and independent students with dependents. For award year 2016-2017, the income threshold at which a dependent student receives an automatic zero EFC determination is \$25,000.

Institutional participation: Approximately 5,000 postsecondary institutions currently participate in the Pell Grant program. Institutions that lose their eligibility to participate in the loan programs due to high default rates are also precluded from participation in the Pell Grant program. In addition, institutions that are subject to gainful employment regulations and that fail the regulations' measures will lose eligibility to participate if they do not improve.

Student participation: Students may use their grants at any participating postsecondary institution. Pell Grants are disbursed to the student through the institution. The Pell Grant program is the largest source of grant aid to students under the Higher Education Act, with approximately 41 percent of all undergraduates receiving a Pell Grant.

Recipients must be undergraduates and cannot have received a bachelor's degree previously (with the exception of certain teacher certificate programs), and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution.

Students must also have a high school diploma (or its equivalent), or be homeschooled. Students who do not meet this criterion and who first enrolled in an eligible program of study on or after July 1, 2014, and also enrolled in an eligible career pathway program as defined in section 484(d) of the HEA, must meet one of the following alternatives: (1) pass an independently administered Department-approved ability-to-benefit test; (2) complete at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) complete a State process approved by the Secretary of Education.

Students who did not have a high school diploma and were enrolled in an eligible program prior to July 1, 2012, may continue to receive a Pell Grant by meeting the requirements of a grandfathering test designed by the Department and documented by the institution.

Less than full-time students are eligible for pro rata awards based on their enrollment status. As of July 1, 2012, students are eligible for Pell Grants for a maximum of 12 semesters (or its equivalent) of full-time enrollment.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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A student in default on a loan made under any Title IV HEA loan program, or who owes an overpayment on any other previously received Federal student aid, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

Annual award amount: The annual award amount may vary from the statutory minimum payment up to the maximum authorized by statute for the academic year. The Higher Education Opportunity Act of 2008 (HEOA) enacted a minimum payment of 10 percent of the appropriated maximum award. For example, in award year (AY) 2015-2016, the minimum is \$577. Students who do not qualify for 10 percent of the maximum grant do not receive a Pell award. Appropriations acts set annual maximum award levels. The fiscal year 2016 appropriation act set the maximum award supported by discretionary funds for the 2016-2017 award year at \$4,860. With the CPI provision established by the HCERA, the 2015 maximum award rose to \$5,775. The total maximum Pell Grant award will be \$5,815 for the 2016-2017 award year as a result of the CPI provision. The total 2017-2018 maximum award is also expected to increase with inflation.

The aggregate Pell Grant award is the lesser of:

- The maximum award (as set in annual appropriations acts) plus the additional amount provided by mandatory funds, minus the EFC, or
- The student's cost of attendance minus the EFC.

Cost of attendance: For purposes of determining the Pell Grant award, the postsecondary institution establishes the cost of attendance, using the following cost items:

- Tuition and fees;
- An allowance for books, supplies, transportation, dependent care, and miscellaneous expenses, including a reasonable allowance for the documented rental or purchase of a personal computer;
- Living allowances of:
  - The actual amount charged by the institution for room and board for students living at school,
  - An amount determined by the institution for students without dependents living at home with parents, and
  - For all other students, an amount based on the expenses reasonably incurred for room and board.

The cost of attendance for less-than-half-time students includes: tuition and fees; an allowance for books, supplies and transportation; and dependent care.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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Financial aid administrator discretion: The Higher Education Act stipulates financial aid administrators may, on the basis of adequate documentation and on a case-by-case basis, adjust a student's Pell Grant award by changing the cost of attendance or the value of data elements used to calculate the EFC to reflect "special circumstances," such as the following:

- Tuition expenses at an elementary or secondary school;
- Medical or dental expenses not covered by insurance;
- Unusually high child care costs;
- Recent unemployment of an independent student or a family member;
- Changes in a student's housing status resulting in homelessness;
- The number of parents enrolled at least half-time in a degree or certificate or other program leading to a recognized educational credential at an institution participating in any of the Title IV programs; or
- Other changes in a family's income, assets, or a student's status.

Institutional payments: The HEA provides for payment to institutions of \$5 per Pell Grant recipient to reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are paid from the Pell Grant appropriation. In 2016-2017, these payments will total \$38.4 million.

Because of the structure of the Pell Grant program, annual funding levels might not equal annual expenditures. Discretionary and mandatory funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2012.....	\$41,569,000 <sup>1</sup>
2013.....	35,219,352 <sup>2</sup>
2014.....	28,881,352 <sup>3</sup>
2015.....	27,628,285 <sup>4</sup>
2016.....	28,279,793 <sup>5</sup>

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<sup>1</sup>Includes \$4,950 million in mandatory funds to increase maximum award by \$690 and \$13,795 million in additional mandatory funds provided in legislation to reduce discretionary need.

<sup>2</sup>Includes \$4,854 million in mandatory funds to increase maximum award by \$785 and \$7,587 million in additional mandatory funds provided in legislation to reduce discretionary need.

<sup>3</sup>Includes \$5,515 million in mandatory funds to increase maximum award by \$870 and \$588 million in additional mandatory funds provided in legislation to reduce discretionary need.

<sup>4</sup>Includes \$5,153 million in mandatory funds to increase maximum award by \$915.

<sup>5</sup>Includes \$5,804 million in mandatory funds to increase maximum award by \$955.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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#### FY 2017 BUDGET REQUEST

Since President Obama took office, the Administration has repeatedly sought higher Pell Grant funding, and its efforts have increased the Pell maximum award by more than \$1,000, and provided grants to an additional 1.5 million students. In its continued support of the program, the Administration requests \$22.5 billion in discretionary funding, the same level as 2016. This discretionary request, plus \$7.6 billion in mandatory funding, establishes the total 2017 Pell funding level at \$30.1 billion. The mandatory request supports an increase in the add-on award of \$1,075 to the base maximum award of \$4,860, increasing the total maximum award that will increase with inflation.

The budget provides mandatory funding to continue indexing the maximum Pell Grant award to inflation indefinitely. The automatic inflationary increases, secured by the Administration in the SAFRA Act, as part of the Health Care and Education Reconciliation Act of 2010 (HCERA), are scheduled to expire after the 2017-2018 award year. Additionally, the 2017 Budget re-proposes to make several reforms to strengthen and protect the Pell Grant program while promoting student success and degree attainment:

- First, it would strengthen satisfactory academic progress requirements in order to encourage students to complete their studies on time.
- Second, it would prevent additional Pell disbursements to recipients who repeatedly enroll and obtain aid but do not earn any academic credits to help protect student aid resources.
- Third, the Budget would move the Iraq and Afghanistan Service Grant program into the Pell Grant program to ensure that our veterans' children receive the full, non-sequestered Pell award for which they are eligible.
- And finally, the Administration supports the simplification of the Free Application for Federal Student Aid (FAFSA). The Budget proposes eliminating questions related to assets, non-IRS untaxed income, non-IRS income exclusions, and other income adjustments, which may discourage many eligible students from applying for aid, and making it more understandable and easier to complete.

The Budget also proposes new student supports and incentives for eligible Pell Grant recipients to encourage on-time or accelerated completion:

- **Pell for Accelerated Completion** would reinstate year-round Pell Grant eligibility for recipients who have completed 24 credit hours in an academic year, exhausted their eligibility for the award year, and wish to enroll in additional coursework. Many full-time students exhaust their annual Pell eligibility after just two semesters and, as a result, are unable to pay for summer courses and must wait until the beginning of the next academic year to continue their studies. This proposal will provide nearly 700,000 students in award year 2017-18 who are making real progress toward on-time graduation with an additional \$1,915, on average,

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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to help pay for college and complete their degrees faster. Under the proposal, recipients would qualify for up to 150 percent of their regular Pell Grant award.

- **On-Track Pell Bonus** would provide a \$300 Pell bonus award to recipients who take 15 credit hours per semester in an academic year, effectively increasing their Pell maximum award to \$6,235 for award year 2017-18. Currently, a student who is enrolled in 12 credit hours (or the equivalent) during a term is considered full-time for Federal student aid purposes and is eligible for a maximum Pell grant. Assuming two standard terms during a Pell Grant award year, students pursuing a 2-year/4-year degree and enrolled at 12 credit hours per term cannot graduate within 2/4 years and those who take more credits cannot obtain additional Pell aid. This additional aid will reward an estimated 2.3 million Pell Grant recipients next year as they work to finish their degrees faster.
- **Second Chance Pell** would reinstate access to Pell Grant aid for eligible incarcerated students in Federal and State penal institutions who are eligible for release, with the goal of helping them get jobs, support their families, and create safer communities. Increasing access to high-quality educational opportunities will help these individuals successfully transition out of prison and back into the classroom or workforce. Research shows that a high-quality correctional educational opportunity measurably reduces re-incarceration rates, and this proposal is part of the Administration's commitment to create a fairer, more effective criminal justice system, reduce recidivism, and combat the impact of mass incarceration on communities.

In addition, the 2017 Request proposes to increase the share of a proprietary institution's revenue that comes from sources other than Federal student aid programs from 90 percent to 85 percent and to include all other Federal educational programs outside of the Department of Education, such as the Department of Defense Tuition Assistance and GI Bill Benefits, in the 85/15 calculation. Additional detail on this proposal is discussed in the **Student Aid Overview**. The fiscal year 2017 Budget request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program specific funding information and policy proposals also are discussed in the **Student Aid Overview**.

### PELL GRANT PROGRAM HISTORICAL DATA

#### **Applicant and Recipient Growth:**

The graphs on the following pages show the latest applicant, recipient, and aid available trends for the Pell Grant program. Applicants are estimated at 16.3 million for award year 2015-2016; recipients at 7.7 million.

Many factors affect applicant growth, including demographic trends and changes in economic conditions, such as labor market demands. Factors affecting recipient growth include family incomes, need analysis, college costs, the level of the maximum Pell Grant award, and changes in applicant levels.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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The following tables show program information consistent with actual, predicted, or requested funding levels.

**Federal Pell Grants Applicant Trends<sup>1</sup>**

Award Year	Valid Applicants <sup>2</sup>	Applicant Growth: Number	Applicant Growth: Percent Change
2002-03	10,354,525	849,426	8.96%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,811,911	200,523	1.73%
2007-08	12,299,232	487,321	4.13%
2008-09	13,883,288	1,584,056	12.88%
2009-10	16,482,495	2,599,207	18.72%
2010-11	17,625,778	1,143,283	6.94%
2011-12	18,458,701	832,923	4.73%
2012-13	18,294,947	-163,754	-0.89%
2013-14	17,915,446	-379,501	-2.07%
2014-15	17,312,207	-603,239	-3.37%
2015-16	16,323,233	-988,974	-5.71%
2016-17	15,815,173	-508,060	-3.11%
2017-18	16,158,103	342,930	2.17%

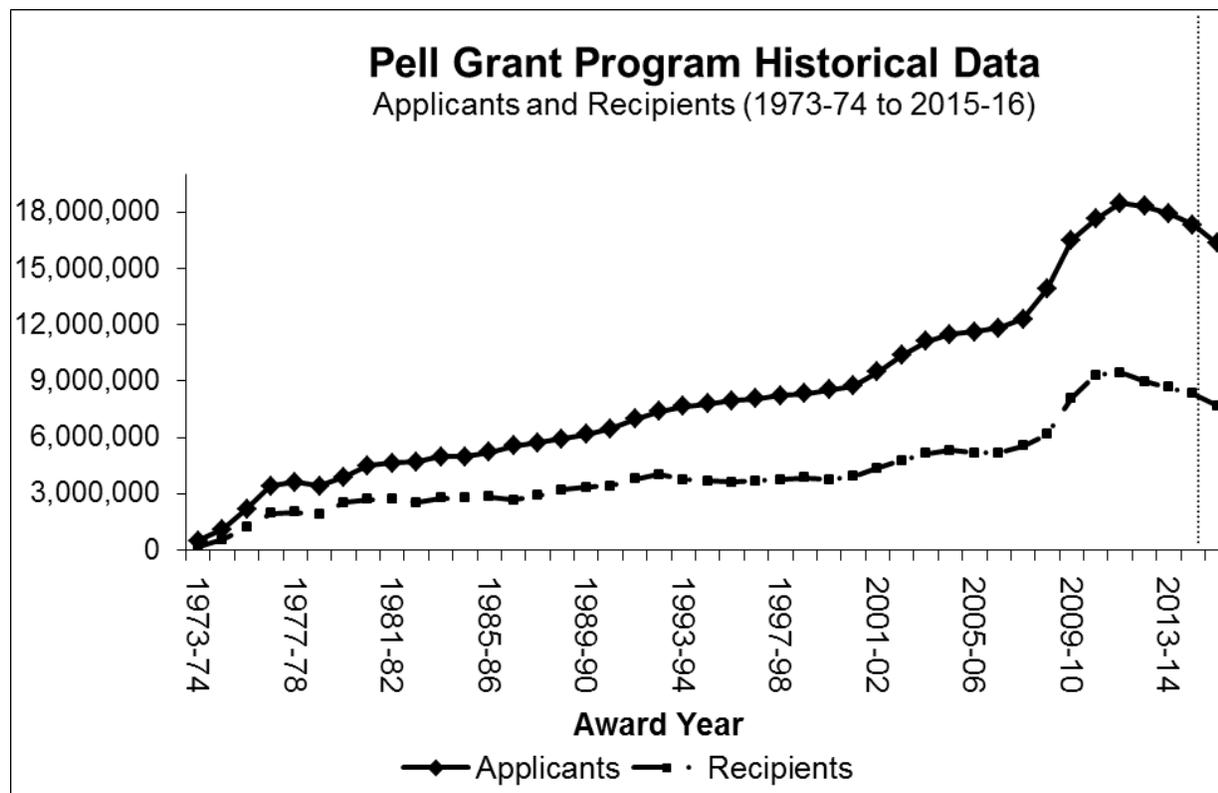
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<sup>1</sup>Applicant data through AY 2014-15 are considered final and are taken from internal operational reports. Applicant data for award years 2015-16 through 2017-18 are estimates and are subject to change.

<sup>2</sup>A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell Grant eligibility.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants



NOTE: Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

#### Number of Recipients:

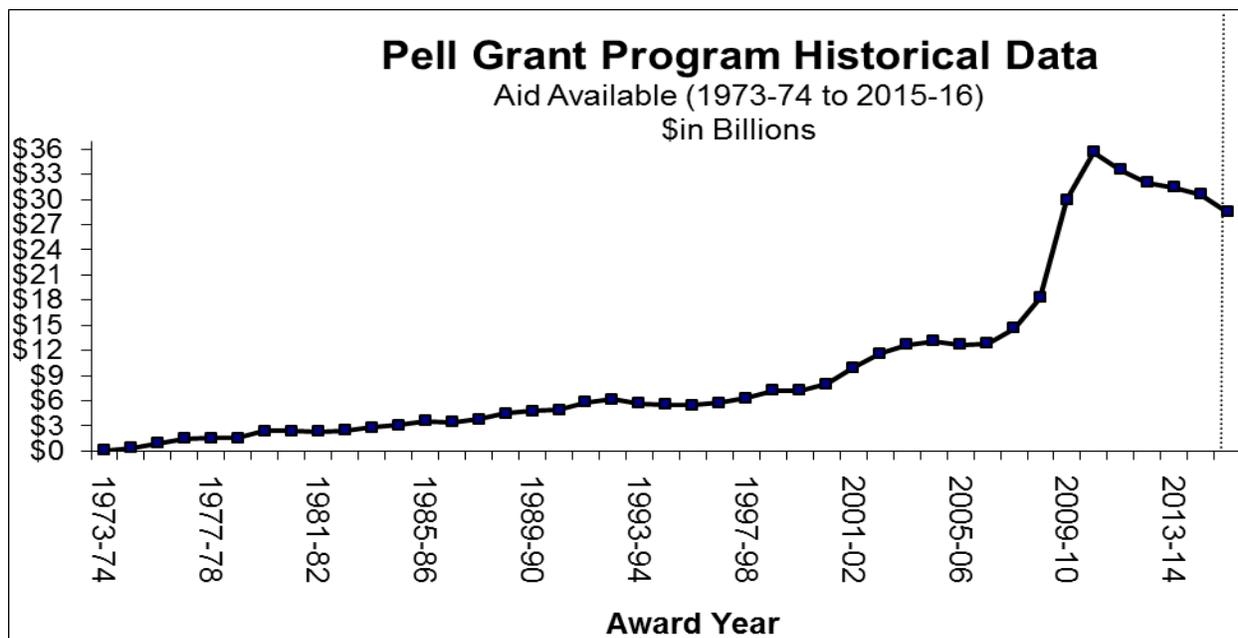
Under current estimates, the 2017 level would support Pell Grant awards to 7.7 million recipients.

#### Aid Available:

Under current estimates, the Department's fiscal year 2017 proposal would provide \$31 billion in Pell Grants to students.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants



#### Maximum award:<sup>1</sup>

The Department proposes to maintain the base maximum award at \$4,860 for award year 2017-2018 through discretionary and mandatory funding. The cost of providing the mandatory add-on that increases the maximum award to \$5,815 in the 2016-2017 award year is funded by permanent mandatory indefinite funding as provided through HCERA.

**Pell Maximum Award, Aid Available, and Recipients**

Award Year	Maximum Award	Aid Available (dollars in millions)	Recipients
2012-13	\$5,550	\$32,045	8,954,267
2013-14	5,645	31,471	8,660,394
2014-15	5,730	30,620	8,313,000
2015-16	5,775	28,529	7,670,000
2016-17	5,815	28,283	7,679,000
2017-18	5,935	30,975	7,719,000

<sup>1</sup>Under the FY 2017 Budget proposal, Pell Grant recipients who enroll in 15 credit hours per semester (or the equivalent) of coursework during an award year may qualify for an additional \$300 bonus award, which is not considered part of the maximum award determined in annual appropriations language and the HEA.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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#### Pell Maximum Award, Budget Authority, and Program Costs

FY	Maximum Award	Budget Authority (dollars in thousands)	Program Costs (dollars in thousands)
2008	\$4,731	\$16,245,000 <sup>1</sup>	\$18,309,000
2009	5,350	35,661,000 <sup>2</sup>	29,992,000
2010	5,550	22,794,816 <sup>3</sup>	35,700,000
2011	5,550	42,015,996 <sup>4</sup>	33,595,000
2012	5,550	41,569,000 <sup>5</sup>	32,090,000
2013	5,645	35,219,352 <sup>6</sup>	31,514,000
2014	5,730	28,881,352 <sup>7</sup>	30,662,000
2015	5,775	27,628,285 <sup>8</sup>	28,567,000 <sup>9</sup>
2016	5,815	28,279,793 <sup>10</sup>	28,321,000 <sup>9</sup>
2017	5,935	30,104,352 <sup>11</sup>	31,014,000 <sup>9</sup>

<sup>1</sup>Budget Authority for FY 2008 includes \$14,215 million in discretionary funds and \$2,030 million in mandatory funds provided by the College Cost Reduction and Access Act (CCRAA) for use as an add-on to the maximum award.

<sup>2</sup>Budget Authority for FY 2009 includes \$15,640 million in American Recovery and Reinvestment Act of 2009 funds, and \$2,733 million in mandatory funds for use as an add-on to the maximum award.

<sup>3</sup>Budget Authority for FY 2010 includes \$17,495 million in discretionary funds and \$5,300 in mandatory funds to increase the maximum award.

<sup>4</sup>Budget Authority for FY 2011 includes \$23,162 million in discretionary funds, \$13,500 million in mandatory funds for discretionary program costs, and \$5,560 million in mandatory funds to increase the maximum award.

<sup>5</sup>Budget Authority for FY 2012 includes \$22,824 million in discretionary funds, \$4,950 million in mandatory funding to increase the maximum award, and \$13,795 million in mandatory funds provided in the Budget Control Act of 2011 to reduce discretionary need.

<sup>6</sup>Budget Authority for FY 2013 includes \$22,778 million in discretionary funds, \$4,854 million in mandatory funding to increase the maximum award, and \$7,587 million in mandatory funds for discretionary purposes.

<sup>7</sup>Budget Authority requested for FY 2014 includes \$22,778 million in discretionary funds, \$5,515 million in mandatory funds to increase the maximum award, and \$588 million in mandatory funds for discretionary purposes.

<sup>8</sup>Budget Authority requested for FY 2015 includes \$22,475 million in discretionary funds and \$5,153 million in mandatory funds to increase the maximum award.

<sup>9</sup>Estimate.

<sup>10</sup>Budget authority requested for FY 2016 includes \$22,475 million in discretionary funding and \$5,804 million in mandatory funding to increase the maximum award.

<sup>11</sup>Budget authority requested for FY 2017 includes \$22,475 million in discretionary funding and \$6,306 million in mandatory funding to increase the maximum award.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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#### Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2014-2015, approximately 72 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000.

#### **Distribution of Pell Grants to Dependent Undergraduates in 2014-15**

<b>Income Level</b>	<b>Recipients</b>	<b>Available Aid</b>	<b>Average Award</b>
0 - \$6,000	552,880	\$2,388,918,501	\$4,321
\$6,001 - \$9,000	128,156	565,071,498	4,409
\$9,001 - \$20,000	827,575	3,681,952,431	4,449
\$20,001 - \$30,000	707,888	3,142,114,200	4,439
\$30,001 +	1,523,605	5,120,662,411	3,361
<b><i>Total Dependent</i></b>	<b>3,740,104</b>	<b>14,898,719,041</b>	<b>3,984</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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Independent students make up more than half of the students receiving assistance under the Pell Grant program. These recipients tend to be in the lowest income groups, as shown below.

**Distribution of Pell Grants to Independent Undergraduates in 2014-15**

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,000	823,175	\$2,999,120,931	\$3,643
\$1,001 - \$ 3,000	232,818	875,715,783	3,761
\$3,001 - \$ 6,000	342,522	1,281,400,787	3,741
\$6,001 - \$ 9,000	371,840	1,380,204,232	3,712
\$9,001 - \$15,000	802,427	2,847,370,938	3,548
\$15,001 - \$20,000	554,858	1,711,495,597	3,085
\$20,001 - \$30,000	638,840	2,047,565,835	3,205
\$30,001 +	806,416	2,578,841,856	3,198
<b>Total Independent</b>	<b>4,572,896</b>	<b>15,721,715,959</b>	<b>3,438</b>
<b>All Undergraduates</b>	<b>8,313,000</b>	<b>30,620,435,000</b>	<b>3,683</b>

#### Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2014-2015, approximately 34 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, and approximately 33 percent went to students attending Public 2-Year schools.

Over the lifetime of the Pell Grant program, the share of Pell Grant aid to proprietary institutions has changed significantly. For example, in the 1998-1999 award year, approximately 13 percent of total Pell Grant aid went to students at proprietary institutions; in the 2013-2014 and 2014-15 award years those figures were 20 and 18 percent, respectively.

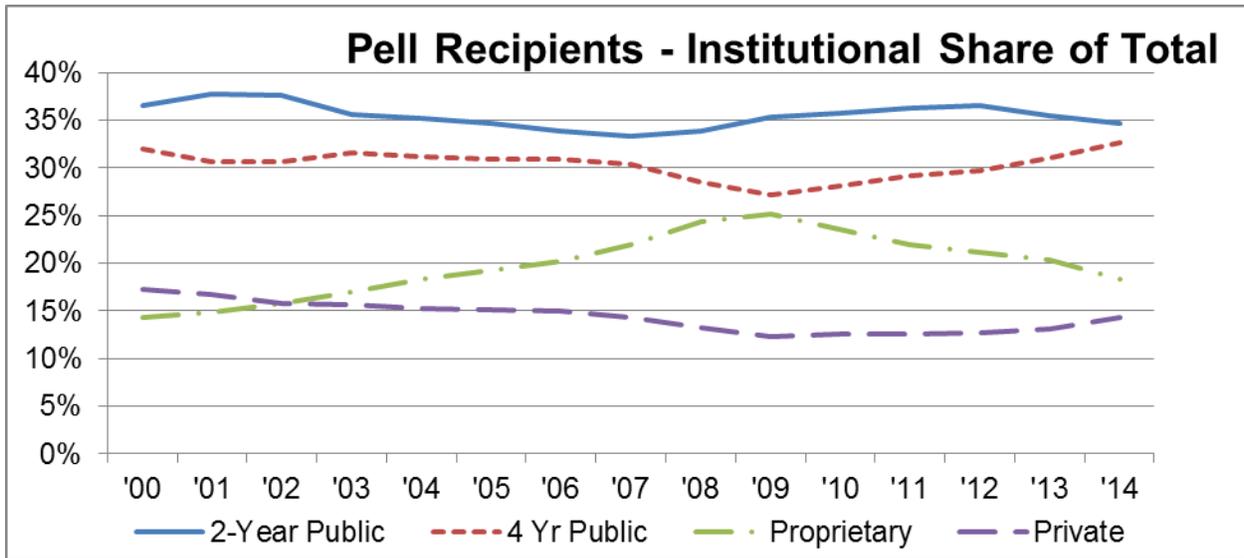
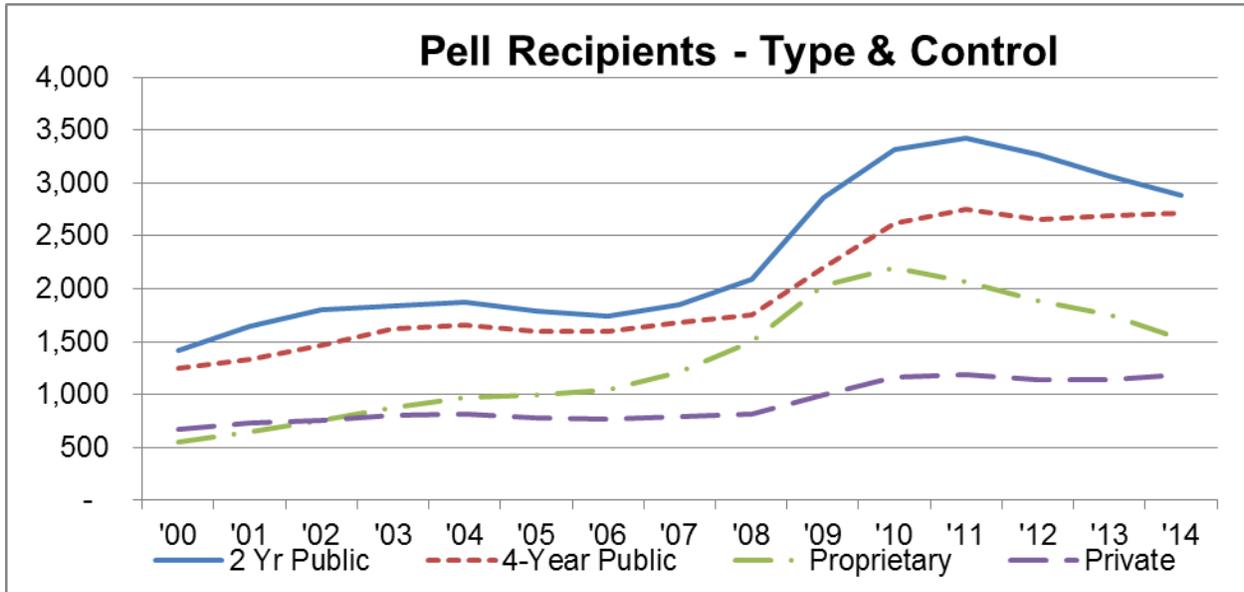
**Distribution of Pell Grants by Type of Institution in 2014-15**

Institution Type	Recipients	Available Aid	Average Award	Percent of Pell Aid
Public 4-Year	2,720,987	\$10,313,215,494	\$3,790	33.7%
Public 2-Year	2,877,802	10,052,726,095	3,493	32.8
Private	1,191,169	4,776,654,838	4,010	15.6
Proprietary	1,523,042	5,477,838,573	3,597	17.9
<b>Total</b>	<b>8,313,000</b>	<b>30,620,435,000</b>	<b>3,683</b>	<b>100.0</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

The following two charts show, for the award years 2000-2001 to 2014-2015, total Pell recipients (in thousands) by type and control of institution; and the institutional share (percentage) of total Pell recipients.



## STUDENT FINANCIAL ASSISTANCE

### Federal Pell Grants

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#### PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Recipients	7,670,000	7,679,000	7,719,000
Aid available to students <sup>1</sup>	\$28,528,650	\$28,282,605	\$30,975,405
Maximum grant (in whole dollars)	\$5,775	\$5,815	\$5,935
Minimum grant (in whole dollars) <sup>2</sup>	\$577	\$582	\$593
Average grant (in whole dollars)	\$3,720	\$3,683	\$4,013

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<sup>1</sup>Overall aid available reflects the estimated cost of the program minus administrative costs of \$5 per recipient.

<sup>2</sup>The minimum grant reflects the statutory minimum, but the actual minimum grant published by the Department may be slightly higher due to the calculation methodology used in the payment schedule.

#### PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, indicators and performance data and targets; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2017 and future years, as well as the resources and efforts invested by those served by this program.

Because the Federal Pell Grant program account relies on the same performance measures, strategies, and program improvement activities that apply to all the student financial assistance grant programs, Pell program performance is discussed in the **Student Aid Overview** and is not repeated here.

## STUDENT FINANCIAL ASSISTANCE

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### Federal supplemental educational opportunity grants (Higher Education Act of 1965, Title IV, Part A, Subpart 3)

(dollars in thousands)

FY 2017 Authorization: To be determined<sup>1</sup>

Budget authority:

	<u>2016</u>	<u>2017</u>	<u>Change</u>
	\$733,130	\$733,130	0

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<sup>1</sup>The GEPA extension applies through September 30, 2015; reauthorizing legislation is sought for fiscal year 2017.

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### PROGRAM DESCRIPTION

The Federal Supplemental Educational Opportunity Grant (SEOG) program provides need-based grant aid to eligible undergraduate students to help reduce financial barriers to postsecondary education. Federal funding allocations are awarded to qualifying postsecondary institutions under a statutory formula. Unlike the Pell Grant program, the SEOG program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

The funding provided for the SEOG program is available for 2 years. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds proposed for fiscal year 2017 would be used for the 2017-2018 award year, which runs from July 1, 2017, through June 30, 2018.

Institutional participation: Roughly 3,700 postsecondary institutions receive funds under the SEOG program. Under the statutory formula, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 SEOG program base guarantee and pro rata share (a hold harmless basis), and then on the basis of the aggregate need of the eligible undergraduate students in attendance. The current "hold harmless" provision distorts the allocation of funding among institutions so that certain institutions receive more funds than if the funds were solely distributed based on their students' financial need.

Institutional matching: Participating institutions are required by statute to contribute at least 25 percent of the SEOG award amounts. The institutional share can be met using the institution's own resources, State grants, or funds from foundations or other charitable organizations.

Student participation: Students qualify for grants of up to \$4,000 by demonstrating financial need under the needs analysis formula used for Federal student aid. Institutions must give first priority for awards to students with demonstrated "exceptional need" (students with the lowest Expected Family Contributions (EFCs) at the institution) who are also Pell Grant recipients.

## STUDENT FINANCIAL ASSISTANCE

### **Federal supplemental educational opportunity grants**

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Remaining awards are then available for students with exceptional need who are not Pell Grant recipients. In addition, if any part of the institution's SEOG allocation determination to students is based, in part, on the financial need demonstrated by students who are independent or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students.

Recipients must be undergraduates and cannot have received a bachelor's degree and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Approximately 9 percent of undergraduates receive SEOG awards.

Recipients must also (1) have a high school diploma (or its equivalent); or (2) be homeschooled. Students who do not meet this criterion and who first enrolled in an eligible program of study on or after July 1, 2014 and also enrolled in an eligible career pathway program, as defined in section 484(d) of the HEA, must meet another alternatives: (1) pass an independently administered Department-approved ability-to-benefit test; (2) complete at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) complete a State process approved by the Department.

Students who did not have a high school diploma and were enrolled in an eligible program prior to July 1, 2012, may continue to receive SEOG funds by meeting the requirements of a grandfathering test designed by the Department and documented by the institution.

Students already in default on a Federal student loan or who owe an overpayment on any other previously received Federal student aid may not receive a SEOG unless they repay the debt in full, or makes satisfactory repayment arrangements.

#### **Institutional administrative provisions:**

- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs (SEOG, Work-Student, or Perkins Loan Program excluding the amount of Perkins loans assigned to the Department). An institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with these programs.
- Transferability of funds. An institution may transfer up to 25 percent of Work-Study funds to SEOG. Up to 10 percent of an institution's SEOG funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year, and up to 10 percent of an institution's SEOG funds may remain available for the next fiscal year.
- Reallocation of funds. Excess funds available because of under-utilization by institutions are reallocated to other institutions in accordance with program regulations. An institution returning more than 10 percent of its allocation will have its subsequent allocation reduced by the same amount.

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

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Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2012.....	\$734,599
2013.....	696,175
2014.....	733,100
2015.....	733,100
2016.....	733,100

### FY 2017 BUDGET REQUEST

The Administration requests \$733.1 million for the SEOG program in fiscal year 2017, the same level as in fiscal year 2016. The President’s 2017 Budget proposes to reform Federal SEOG allocations to target those institutions that enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt.

The fiscal year 2017 Budget Request for this program is best understood in the context of the Administration’s proposals for the student aid programs as a whole. Accordingly, student assistance policy proposals are discussed in greater detail in the **Student Aid Overview**.

The fiscal year 2017 request, in conjunction with institutional matching funds, would generate \$925 million in available aid for an estimated 1.5 million awards.

### PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Recipients	1,547,008	1,547,008	1,547,008
Aid available to students <sup>1</sup>	\$925,246	\$925,246	\$925,246
Average award (in whole dollars)	\$598	\$598	\$598

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<sup>1</sup>Aid available includes budget authority, institutional matching funds, transfers from Perkins Loans and Federal Work-Study programs, minus administrative costs.

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

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#### PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2017 and the future as well as the resources and efforts invested by institutions.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures, strategies, and program improvement activities that apply to all of the programs, that information is discussed in the **Student Aid Overview** and is not repeated here.

#### Distribution of SEOG Funds by Student Status and Income Level:

The following tables (structured to compare across the programs in the SFA account) show the distribution of SEOG funds to dependent and independent students at various income levels in 2013-2014. These tables include the most recent distributional data available, which may not match directly with the data provided in the Program Output Measures section.

In 2013-2014, 71 percent of dependent SEOG recipients had family income levels under \$30,000 and 76 percent of independent SEOG recipients had family income levels under \$20,000.

**Distribution of SEOG to Dependent Undergraduates in 2013-14**

Income Level	Recipients	Available Aid	Average Award
0 - \$5,999	126,122	\$87,614,952	\$695
\$6,000 - \$11,999	76,229	54,681,100	717
\$12,000 - \$23,999	224,646	163,991,504	730
\$24,001 - \$29,999	88,484	68,539,788	775
\$30,000 +	214,044	173,660,212	811
<b>Total Dependent</b>	<b>729,525</b>	<b>548,487,556</b>	<b>752</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

#### Distribution of SEOG to Independent Undergraduates in 2013-14

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	208,548	\$98,788,283	\$474
\$2,000 - \$ 3,999	52,878	26,811,134	507
\$4,000 - \$ 7,999	110,546	53,905,406	488
\$8,000 - \$11,999	108,361	50,027,128	462
\$12,000 - \$15,999	77,077	33,289,601	432
\$16,000 - \$19,999	64,935	27,845,029	429
\$20,000 +	195,138	86,091,755	441
<b>Total Independent</b>	<b>817,483</b>	<b>376,758,336</b>	<b>461</b>
<b>All Undergraduates</b>	<b>1,547,008</b>	<b>925,245,892</b>	<b>598</b>

#### Distribution of SEOG Funds by Type of Institution:

The distribution of SEOG assistance to institutions is controlled by a statutory formula. The distribution of SEOG across different types of institutions has remained relatively constant over time due to this formula and the base guarantee. The distribution of aid by institution type has remained relatively constant over the last 5 years.

The following table shows the distribution of SEOG to students attending different types of institutions in 2013-2014. The majority of funding goes to students attending public institutions.

#### Distribution of SEOG by Type of Institution in 2013-14

Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	437,906	\$304,182,368	\$695	32.9%
Public 2-Year	399,538	163,039,840	408	17.6
Private	336,072	322,813,169	961	34.9
Proprietary	373,492	135,210,515	362	14.6
<b>Total</b>	<b>1,547,008</b>	<b>925,245,892</b>	<b>598</b>	<b>100.0</b>

NOTE: Percentages may not total to 100 percent due to rounding.

## STUDENT FINANCIAL ASSISTANCE

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Federal work-study  
(Higher Education Act of 1965, Title IV, Part C)

(dollars in thousands)

FY 2017 Authorization: To be determined<sup>1</sup>

Budget authority:

	<u>2016</u>	<u>2017</u>	<u>Change</u>
	\$989,728	\$989,728	0

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<sup>1</sup>The GEPA extension expires September 30, 2015; reauthorizing legislation is sought for FY 2016.

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### PROGRAM DESCRIPTION

The Federal Work-Study program ensures access to postsecondary education and lifelong learning by assisting needy undergraduate and graduate students in financing postsecondary education costs through part-time employment. Federal funds are distributed to qualifying institutions whose financial aid administrators select qualified students with financial need for employment. Students may be employed by the institution; by a Federal, State, or local public agency or private nonprofit organization; or by a private for-profit organization.

The funding for the Work-Study program is available for 2 fiscal years. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds requested for fiscal year 2017 would be used for the 2017-2018 award year, which runs from July 1, 2017 through June 30, 2018.

Institutional participation: Almost 3,300 institutions participate in the Work-Study program. Funds are distributed to institutions based on a statutory formula. The formula starts with the institution's fiscal year 1999 Work-Study program base guarantee and pro rata share, and bases the allocation on the aggregate need of the eligible undergraduate students in attendance. The Work-Study program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

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If an institution is a proprietary school employing its own students, this employment must be: (1) on campus, except that at least 7 percent of the total funds granted must be used to compensate students employed in community service activities; (2) related, to the maximum extent practicable, to the student's educational objectives; and (3) related to providing student services. The employment tasks of Work-Study students, however, must not involve the solicitation of potential students to enroll in the school.

Institutional matching: In general, participating institutions or other employers must contribute at least 25 percent of a student's part-time earnings (or 50 percent in the case of private-for-profit employers). The Federal share may be up to 90 percent for students employed at a private nonprofit organization or a Federal, State, or local public agency that would otherwise be unable to afford the costs of employing those students. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the Federal Work-Study Program; in addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis.

Student participation: Students qualify for Work-Study awards by demonstrating financial need under the statutory need analysis system for the Federal student financial assistance programs. Hourly earnings must not be less than the current Federal minimum wage. Approximately 7 percent of undergraduates participate in Work-Study.

In addition, if the institution's allocation is based in part on the financial need demonstrated by independent students or students attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students.

Recipients must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or be homeschooled. Students who do not meet this criterion and who first enrolled in an eligible program of study on or after July 1, 2014, and also enrolled in an eligible career pathway program as defined in section 484(d) of the HEA, must meet one of the following alternatives: (1) pass an independently administered Department-approved ability-to-benefit test; (2) complete at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) complete a State process approved by the Department.

Students who did not have a high school diploma and were enrolled in an eligible program prior to July 1, 2012, may continue to receive Work-Study funds by meeting the requirements of a grandfathering test designed by the Department and documented by the institution.

Students who have defaulted on a Federal student loan or who owe an overpayment on any other previously received Federal student aid, however, may not receive additional funds under the program unless they repay the debt in full, or make satisfactory repayment arrangements with the holder of the debt.

Institutional administrative provisions: Institutions may use their allocations to support a variety of Work-Study activities, including:

- Community service. An institution must use at least 7 percent of its Federal allocation for payments to students employed in community service activities. Other Work-Study jobs that qualify as community service activities include community-accessible childcare and

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

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assistance for disabled students. The HEOA expanded the definition of community service to include emergency preparedness and response. The eligible institution, at its discretion, may count any contribution made by the employer toward the non-Federal share of the student's compensation.

- Tutoring and literacy activities. An institution must include at least one tutoring or family literacy project as part of its community service activities. Under this requirement, priority is to be given to the employment of Work-Study recipients as reading tutors in schools that are participating in a reading reform project designed to train teachers to teach reading on the basis of scientifically based research on reading, and which is funded under the Elementary and Secondary Education Act of 1965, as amended. In 2010-11, the last year data was collected, almost 39,000 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. Work-Study funds may not be used to pay any employee who would otherwise be employed by the private organization.
- Job Location and Development. An institution may use up to 10 percent of its Work-Study allocation, or a maximum of \$50,000, whichever is less, for administrative expenses associated with the establishment or expansion of a Job Location and Development (JLD) program. This program locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.
- Work Colleges. A "Work College" is an institution that requires all resident students to participate in a work-learning program as an integral part of the institution's educational philosophy. These colleges are authorized to receive special awards in addition to their regular Work-Study allocations to support such programs. Work Colleges must match Federal allocations on a dollar-for-dollar basis. In addition, Work Colleges may transfer all of their regular Work-Study allotments for use under the Work Colleges program.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with these programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allocation from Perkins Loans Federal Capital Contributions to SEOG or Work-Study (or both) and up to 25 percent of Work-Study to SEOG. Up to 10 percent of an institution's Work-Study funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year. In addition, up to 10 percent of an institution's Work-Study funds may, at the discretion of the institution, remain available for the next fiscal year.
- Reallocation. If funds become available because of under-utilization by institutions, excess funds are reallocated only to other institutions that used at least 5 percent of their Work-

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

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Study allocations to compensate students employed in tutoring in reading and family literacy activities in the preceding year. Reallocated funds must be used to support student employment in community service activities.

- Disasters. The Higher Education Opportunity Act added a provision under which an eligible institution located in an area affected by a major disaster, as determined by the Secretary, may make Work-Study payments to disaster-affected students, for the period of time (not to exceed 1 academic year) in which the students were prevented from fulfilling their Work-Study obligations due to the disaster. Payment may be made in an amount equal to or less than the amount a student would have been paid had the student been able to complete the work obligation necessary to receive Work-Study funds.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2012.....	\$976,682
2013.....	925,595
2014.....	974,728
2015.....	989,728
2016.....	989,728

### FY 2017 BUDGET REQUEST

As with the SEOG and Perkins Loan programs, the 2017 Budget proposes to reform Federal Work-Study allocations to target those institutions that enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt.

The fiscal year 2017 Budget Requests \$989.7 million for the Work-Study program, level with the fiscal year 2016 amount. The request will generate nearly \$1.13 billion in available aid to support more than 674,000 part-time jobs for students, helping to meet the educational costs of undergraduate and graduate students and to expand their future employment prospects.

The fiscal year 2017 Request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, policy proposals are discussed in greater detail in the **Student Aid Overview**.

### PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Recipients	674,160	674,160	674,160
Aid available to students <sup>1</sup>	\$1,125,372	\$1,125,372	\$1,125,372
Average award (in whole dollars)	\$1,669	\$1,669	\$1,669

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<sup>1</sup>Aid available includes budget authority, institutional matching funds, transfers from Perkins Loans and Federal Work-Study programs, minus administrative costs.

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

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#### PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2017 and future years, as well as the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures, strategies, and program improvement activities that apply to all of the programs, that information is discussed in the **Student Aid Overview** and is not repeated here.

#### **Distribution of Work-Study Funds by Student Status and Income Level:**

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) illustrate the distribution of Work-Study funds to dependent students and the distribution to independent students at various income levels for 2013-2014. These tables include the most recent distributional data available, which may not correspond directly with the data provided in the Program Output Measures section.

#### **Distribution of Work-Study to Dependent Undergraduates in 2013-14**

<b>Income Level</b>	<b>Recipients</b>	<b>Available Aid</b>	<b>Average Award</b>
0 - \$5,999	39,554	\$64,758,753	\$1,637
\$6,000 - \$11,999	24,434	41,520,404	1,699
\$12,000 - \$23,999	73,424	123,496,561	1,682
\$24,001 - \$29,999	35,029	57,897,325	1,653
\$30,000 +	342,042	506,999,856	1,482
<b>Total Dependent</b>	<b>514,483</b>	<b>794,372,899</b>	<b>1,544</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

#### Distribution of Work-Study to Independent Undergraduates and Graduates in 2013-14

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	31,830	\$59,132,999	\$1,858
\$2,000 - \$ 3,999	10,916	20,539,158	1,882
\$4,000 - \$ 7,999	19,053	38,216,965	2,006
\$8,000 - \$11,999	14,771	30,578,788	2,070
\$12,000 - \$15,999	9,823	19,601,042	1,995
\$16,000 - \$19,999	6,437	12,594,667	1,957
\$20,000 +	18,092	33,851,329	1,871
<b>Total Independent</b>	<b>110,922</b>	<b>214,514,948</b>	<b>1,934</b>
<b>Graduate Students</b>	<b>46,494</b>	<b>112,709,334</b>	<b>2,424</b>
<b>All Students</b>	<b>671,899</b>	<b>1,121,597,181</b>	<b>1,669</b>

#### Distribution of Work-Study Funds by Type of Institution:

The Work-Study program is a campus-based program and the distribution of funds to institutions is controlled by a statutory formula. As a result, the distribution of Work-Study assistance across different types of institutions has remained relatively constant over time. The table below shows the distribution of Work-Study to students attending different types of institutions in 2013-2014.

#### Distribution of Work-Study (WS) by Type of Institution in 2013-14

Institution Type	Recipients	Available Aid	Average Award	Percent of WS Aid
Public 4-Year	221,581	\$396,463,600	\$1,789	35.4%
Public 2-Year	72,723	141,273,042	1,943	12.6
Private	351,254	521,595,208	1,485	46.5
Proprietary	26,341	62,265,331	2,364	5.5
<b>Total</b>	<b>671,899</b>	<b>1,121,597,181</b>	<b>1,669</b>	<b>100.0</b>

NOTE: Percentages may not total to 100 percent due to rounding.

#### Community Service Activities:

The Work-Study program has a long tradition of providing opportunities for students to perform community service activities—supporting an important cooperative link between students, colleges and the local community. At least 7 percent of an institution's Work-Study allotment must be used to pay students employed in community service jobs, unless the institution obtains a waiver from the Department. Nationally, 14 percent of Work-Study funds are used for jobs in community service.

## STUDENT FINANCIAL ASSISTANCE

### Federal work study

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Participating colleges and universities must ensure that at least one eligible project provides services to both children and their parents. Allowable activities, such as family literacy programs, emphasize preparing parents to read to their own children.

The Department has waived the usual 25 percent institutional contribution, allowing Work-Study funds to pay up to 100 percent of the wages to support students who tutor children in mathematics, or reading, or who serve in family literacy programs.

### Distribution of Work-Study Funds to Students in Community Service Activities:

The table below shows the distribution of Work-Study assistance to students employed in community service activities in 2013-2014.

#### Distribution of Work-Study to Students in Community Service Activities by Type of Institution in 2013-14

Institution Type	Recipients	Available Aid	Average Award	Percent of WS Aid
Public 4-Year	43,011	\$63,030,929	\$1,465	39.8%
Public 2-Year	13,336	23,224,656	1,742	14.7
Private	56,324	63,222,231	1,122	39.9
Proprietary	4,797	9,105,869	1,898	5.7
<b>Total</b>	<b>117,468</b>	<b>158,583,685</b>	<b>1,350</b>	<b>100.0</b>

NOTE: Percentages may not total to 100 percent due to rounding.

## STUDENT FINANCIAL ASSISTANCE

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### Federal Perkins loans

(Higher Education Act of 1965, Title IV, Part E)

(dollars in thousands)

FY 2017 Authorization: (Proposed legislation)<sup>1</sup>

Mandatory Budget Authority:

	<u>2016</u>	<u>2017<sup>2</sup></u>	<u>Change</u>
New loan subsidies <sup>3</sup>	<u>0</u>	<u>-\$640,312</u>	<u>-\$640,312</u>
Perkins Total Net Subsidy	0	-\$640,312	-\$640,312

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<sup>1</sup>The Perkins Loan program was recently reauthorized through the end of FY 2017 by the Federal Perkins Loan Program Extension Act of 2015.

<sup>2</sup>Legislation is sought for 2017 to shift Perkins Loans to a mandatory credit program. (Institutions would continue to be compensated for Perkins Loans cancellations, but from Federal collections on outstanding Perkins Loans rather than discretionary appropriations.)

<sup>3</sup>New loan subsidies, which in the Perkins proposal would be appropriated through a new Federal Perkins Loan Program account, reflect the net present value of estimated Federal non-administrative lifetime costs for loans made in a given fiscal year. A negative number indicates estimated revenues exceed estimated costs.

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## PROGRAM DESCRIPTION

The Federal Perkins Loan program provides long-term, low-interest loans to financially needy undergraduate and graduate students to help meet their higher education costs. Loans are made from Federal revolving funds held at institutions composed of: (1) Federal capital contributions (FCC); (2) institutional matching funds equaling at least one-third of the FCC; (3) payments on prior-year student loans; and (4) reimbursements for loans cancelled in exchange for specific types of teaching, or military or public service. However, no Federal Capital Contributions have been made since 2004.

The Perkins Loan program was recently reauthorized through September 30, 2017, by the Federal Perkins Loan Program Extension Act of 2015 (the Extension Act). Under the Extension Act, schools may disburse new Perkins Loans to eligible undergraduate borrowers through September 2017, and to graduate students with existing Perkins Loans through September 2016. Additionally, undergraduate borrowers are required to exhaust eligibility for both subsidized and unsubsidized Federal direct loans before receiving a Perkins Loan. The Extension Act also eliminated the grandfathering provision in Section 461(b)(2) of the Higher Education Act (HEA) that had allowed schools to make Perkins Loans to borrowers who received a disbursement before June 30, 2015, for up to 5 additional years. In FY 2018, Federal funds in institutional revolving funds will be recalled to the Federal Government. The Administration's 2017 Budget proposes new legislation to reform and expand the Perkins Loan program to replace the current program as of July 1, 2017.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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Institutional participation: Roughly 1,500 postsecondary institutions make loans under the Perkins Loan program. The Perkins Loan program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

Institutional matching: Institutions contribute one-third of the FCC in matching funds.

Default rate provisions: In general, a school's participation in the program is terminated if its 3-year cohort default rate exceeds 50 percent for 3 consecutive years.

#### **Institutional administrative provisions:**

- Loan Servicing and collections. Schools are responsible for making loans, servicing, and collections, including the establishment of repayment schedules and borrower counseling. Most servicing and collection activities are performed by private contractors employed by the schools. Collections on existing loans were approximately \$1.2 billion in award year 2013-14.
- Loan Rehabilitation. Participating institutions are required to establish a loan rehabilitation program for all defaulted borrowers. Loan rehabilitation allows the institution to eliminate the loan from default rate calculations. In order to rehabilitate a defaulted loan, borrowers are required to make nine consecutive on-time monthly payments to the institution. The first payment of the dictated 9-month cycle is considered the first payment of a new 10-year payment cycle. Once the loan is rehabilitated, the institution must update the borrower's loan status with any credit reporting agency to which the default was reported. A loan can only be rehabilitated once.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins Loan programs.

Student participation: Students qualify for loans by demonstrating financial need under the statutory Federal student aid need analysis system. An eligible borrower is an undergraduate, graduate, or professional student with demonstrated financial need enrolled at an eligible postsecondary institution. In addition, if the institution's Perkins loan allocation was based, in part, on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students. However, a student already in default on a loan made under any Title IV, HEA loan program, or who owes an overpayment on any other previously received Federal student aid, may not borrow under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt. Undergraduate borrowers are required to exhaust eligibility for both subsidized and unsubsidized Federal direct loans before receiving a Perkins Loan.

A borrower makes no principal repayments during in-school, grace, and deferment periods, and interest is neither paid nor accrued during these periods. During the repayment period (which

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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normally may not exceed 10 years), interest is charged at a 5 percent annual rate. Maximum loan amounts were increased by the Higher Education Opportunity Act (HEOA). The maximum annual amount a student can borrow under the Perkins Loan program is \$5,500 for undergraduates and \$8,000 for graduate and professional students; \$60,000 for the combination of undergraduate and graduate study; \$27,500 for students who have completed 2 years of undergraduate education, but have not received a bachelor's degree; and \$11,000 for all other students.

Loan cancellations: In order to reduce the loan burden on Perkins loan borrowers who enter certain fields of public service, all or a portion of the repayment obligation on Perkins loans is canceled in exchange for specified periods of such service. Perkins loan balances are also canceled in the event of a borrower's death, or total and permanent disability.

In general, the schools' share of their revolving funds are reimbursed for 100 percent of the principal and accrued interest of the loan canceled, reducing the amount the Federal Government will collect when the Federal share is repaid after the end of the program.

The areas of public service that qualify for cancellation include:

- Teaching in low-income areas and in special education, math, science, foreign language, bilingual education, and any other fields where State education agencies determine a shortage of qualified teachers exists, or serve full-time on the faculty at a tribal college or university.
- Full-time staff work in a preschool program under the Head Start Act.
- Military service in areas of hostilities and imminent danger.
- Peace Corps and VISTA service.
- Service as a law enforcement/corrections officer, firefighter, or public defender.
- Nurses and medical technicians providing health care services, professional providers of qualified early intervention services, and employees of qualified child/family service in low-income communities.

The program has received no new appropriated funding since 2004.

### FY 2017 BUDGET PROPOSAL

#### Perkins Loan Program Modernization and Expansion

The Budget proposes to modernize and expand the Perkins Loan program into a new Unsubsidized Perkins Loan program. The program would provide \$8.5 billion in loans annually, allocating lending authority among institutions on the basis of the extent to which they **enroll and graduate higher numbers of Pell-eligible students**, and **offer affordable and quality education** such that graduates can repay their educational debt. This reform would replace the current program, which was recently reauthorized through the end of September 2017, and be in effect for the 2017-18 school year. When fully implemented, the new Perkins loan program

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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**would provide eight and a half times the current Perkins loan volume and expand institutional participation** by up to an additional 2,900 postsecondary institutions.

The Department would administer the new Perkins Loan program as a direct loan program; however, institutions would continue to have discretion over award aid to students. Modernizing and expanding the program would give more students increased access to Federal student loans that carry important protections and benefits, including income-based repayment plans and loan forgiveness options.

In addition, the new Perkins program would include a new formula for allocating lending authority among institutions of higher education. This formula would target those institutions that enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt. Schools will continue to have discretion with regard to student eligibility. Existing provisions, such as the institution's ability to transfer or reallocate Perkins Loan funds to other campus-based programs – SEOG and Work-Study – and current statutory formulas, would no longer apply.

Mandatory loan subsidy costs associated with this program would be shown in a new Federal Perkins Loan program account.

Because the fiscal year 2017 Budget proposal for the new Perkins Loan program is best understood in the context of the Administration's proposals for the student aid programs as a whole, program-specific funding information and policy proposals are discussed in the **Student Aid Overview**.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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#### PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Federal Perkins Loans</b>			
Loan Recipients	539,448	401,349	401,349
Loan volume <sup>1</sup> (dollars in thousands)	\$1,171,513	\$871,606	\$871,606
Average loan (in whole dollars)	\$2,172	\$2,172	\$2,172
Participating Institutions	1,500	1,500	1,500
<b>Unsubsidized Perkins Loans (Proposed)</b>			
Loan Recipients	—	—	714,012
Loan volume (dollars in thousands)	—	—	\$4,113,423
Average loan (in whole dollars)	—	—	5,761
Participating Institutions	—	—	4,400 <sup>2</sup>

NOTE: Each participating institution uses its revolving fund to continue originating new loans.

<sup>1</sup>Loan volume includes budget authority and institutional matching funds minus administrative costs.

<sup>2</sup>Estimated maximum institutional participation level.

#### PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2017 and future years, as well as the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures, strategies, and program improvement activities that apply to all of the programs, that information is discussed in the **Student Aid Overview** and is not repeated here.

#### **Distribution of Perkins Loans by Student Status and Income Levels:**

The tables below (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of Perkins loans to dependent students and the distribution of Perkins loans to independent students – both undergraduate and graduate – at various income levels in 2013-2014. These tables include the most recent distributional data

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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available, which may not correspond directly with the data provided in the Program Output Measures section.

**Distribution of Perkins to Dependent Undergraduates in 2013-14**

Income Level	Recipients	Available Aid	Average Award
0 - \$5,999	25,254	\$49,611,774	\$1,965
\$6,000 - \$11,999	17,035	33,501,474	1,967
\$12,000 - \$23,999	52,790	102,730,804	1,946
\$24,001 - \$29,999	26,942	52,226,323	1,938
\$30,000 +	242,323	477,887,541	1,972
<b>Total Dependent</b>	<b>364,344</b>	<b>715,957,916</b>	<b>1,965</b>

**Distribution of Perkins to Independent Undergraduates and Graduates in 2013-14**

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	23,433	\$44,714,925	\$1,908
\$2,000 - \$ 3,999	7,367	14,139,108	1,919
\$4,000 - \$ 7,999	14,388	27,826,044	1,934
\$8,000 - \$11,999	13,140	24,825,342	1,889
\$12,000 - \$15,999	10,035	18,563,379	1,850
\$16,000 - \$19,999	7,905	14,544,801	1,840
\$20,000 +	28,093	53,781,589	1,914
<b>Total Independent</b>	<b>104,361</b>	<b>198,395,188</b>	<b>1,901</b>
<b>Graduate Students</b>	<b>70,743</b>	<b>257,160,332</b>	<b>3,635</b>
<b>All Students</b>	<b>539,448</b>	<b>1,171,513,436</b>	<b>2,172</b>

### Distribution of Perkins Loans by Type of Institution:

The Perkins Loan program is a campus-based program and distribution of new capital funds to institutions is controlled by a statutory formula. Compared to 5 years ago (academic year 2008-2009), the distribution of Perkins Loan assistance among different types of institutions has changed to a large degree: new Perkins Loan volume at public 4-year institutions has increased by 35 percent over 5 years ago, and increased at proprietary institutions by 12 percent over the same period, while volume has decreased by 45 percent at public 2-year institutions.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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The table below illustrates the sector distribution of Perkins loans to students in 2013-2014:

**Distribution of Perkins by Type of Institution in 2013-14**

<b>Institution Type</b>	<b>Recipients</b>	<b>Loan Volume</b>	<b>Average Award</b>	<b>Percent of Perkins Aid</b>
Public 4-Year	271,499	\$530,621,248	\$1,954	45.3%
Public 2-Year	3,441	6,617,688	1,923	0.6
Private	246,509	602,460,927	2,444	51.4
Proprietary	17,999	31,813,573	1,768	2.7
<b>Total</b>	<b>539,448</b>	<b>1,171,513,436</b>	<b>2,172</b>	<b>100.0</b>

NOTE: Percentages may not total to 100 percent due to rounding.

## STUDENT FINANCIAL ASSISTANCE

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### Iraq and Afghanistan service grants (Higher Education Act of 1965, Title IV, Part A, Subpart 10)

(dollars in thousands)

FY 2017 Authorization: Indefinite

Mandatory Budget Authority:

<u>2016</u>	<u>2017</u> <sup>1</sup>	<u>Change</u>
\$453	0	-\$453

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<sup>1</sup>The 2017 request reflects the President's Budget policy to move the current Iraq and Afghanistan Service Grants program into the Pell Grant program. The estimated 2017 budget authority for Iraq and Afghanistan Service Grants is \$495 thousand.

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### PROGRAM DESCRIPTION

The Iraq and Afghanistan Service Grants (IASG) program provides non-need-based grants to students whose parent or guardian was a member of the Armed Forces who died in Iraq or Afghanistan as a result of performing military service after September 11, 2001. Students are not required to be eligible for a Pell Grant in order to receive a Service Grant; however, the student must be 24 years old or younger; or, if older than 24, must have been enrolled in an institution of higher education at the time of the parent or guardian's death.

Service Grants are equal to the maximum Pell Grant for a given award year, which is \$5,815 in the 2016-2017 award year, and will increase with inflation for the 2017-2018 award year. Service Grants are excluded from the total "estimated financial assistance" used to determine a student's eligibility for other Title IV Federal financial aid. In combination with other student aid, however, the Service Grant may not result in a student's awards exceeding their cost of attendance. As with Pell Grant eligibility, students are limited to 12 semesters of full-time enrollment.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2012.....	\$180
2013.....	246
2014.....	294
2015.....	369
2016.....	453

### FY 2017 BUDGET PROPOSAL

The 2017 Budget proposes to move the Iraq and Afghanistan Service Grant program into the Pell Grant program to avoid further award reductions as a result of sequestration and ensure

## STUDENT FINANCIAL ASSISTANCE

### Iraq and Afghanistan service grants

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our veterans' children receive a full, non-sequestered aid award. As a result of sequestration, the current IASG program has, since award year 2012-2013, annually reduced the maximum grant for which recipients are eligible. The Budget proposal would allow these students to receive the full, equivalent Pell Grant (which is not subject to sequestration). The first IASG recipient awards were given in award year 2010-2011 to fewer than 1,000 recipients. The recipient level is expected to remain at fewer than 1,000 recipients through award year 2017-2018.

### PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Recipients	(1)	(1)	(1)
Aid available to students (dollars in thousands) <sup>2</sup>	\$376	\$477	0
Maximum grant (whole dollars) <sup>3</sup>	\$5,381	\$5,448	0
Average grant (whole dollars)	\$4,881	\$4,918	0

<sup>1</sup>Recipients estimated to number fewer than 1,000.

<sup>2</sup>Aid available is the amount of funding available for new IASG awards to students in any single academic year. This amount differs from budget authority because 1 fiscal year spans across 2 academic years. For instance, total aid available in fiscal year 2015 is comprised of portions of both academic year 2014-2015 (ending June 30) and 2015-2016 (beginning July 1). Amount of aid available in fiscal year 2017 reflects Budget policy to move IASG to the Pell Grant program. In 2017, aid available is estimated to be \$572 thousand.

<sup>3</sup>Maximum grant amounts reflect impact of sequestration. Amount of the maximum grant in 2017 reflects Budget policy to move IASG to the Pell Grant Program.

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### PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2017 and future years, as well as the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account rely on the same performance data, when available, the Iraq and Afghanistan Service Grants performance measures, strategies, and program improvement activities will be discussed in the **Student Aid Overview** and not repeated here.

### Distribution of Iraq and Afghanistan Service Grant Funds by Type of Institution:

The data provided in the table below shows the distribution of Iraq and Afghanistan service grants to students attending different types of institutions in award year 2014-2015.

## STUDENT FINANCIAL ASSISTANCE

### Iraq and Afghanistan service grants

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Distribution of IASG by Type of Institution in 2014-15

<b>Institution Type</b>	<b>Recipients</b>	<b>Available Aid</b>	<b>Average Award</b>	<b>Percent of IASG Aid</b>
Public 4-Year	47	\$211,896	\$4,508	59%
Public 2-Year	8	35,861	4,483	10
Private	19	99,694	5,247	29
Proprietary	1	5,317	5,317	2
<b>Total</b>	<b>75</b>	<b>352,768</b>	<b>4,716</b>	<b>100</b>

NOTE: Percentages may not total to 100 percent due to rounding.